

# NEWS FROM

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## **Financial Aid Tip of the Month, December 2005**

### **Things you need to know about student loans**

One fact of life for most college students is that they will have to take out student loans to help pay for their college education. Many times their parents will have to take out loans to help them. The Alabama Student Loan Program-KHEAA and The Student Loan People<sup>sm</sup> administer the Federal Family Education Loan Program (FFELP) and suggest students and parents should take time to learn more about student loans and how to save money on them.

FFELP includes Federal Stafford Loans for students and Federal PLUS Loans for parents. FFELP loans will have a lender and a guarantor. The lender can charge an origination fee, similar to the points on a home mortgage, of up to 3 percent. The guarantor can charge an insurance fee of up to 1 percent. Those fees are deducted before the loan funds are sent to the student's school. However, not all FFELP lenders and guarantors charge the same fee. To be smart shoppers, students and parents should find out what fees each lender and guarantor charges. The lower the fees, the more money the student gets to pay for school.

Students and parents should also see what benefits lenders offer when they're paying back Stafford or PLUS Loans. Many FFELP lenders offer interest rate reductions for automatic withdrawals and reductions to the principal for a history of on-time payments.

In addition to federal student loans, many lenders offer private student loans. These are called "alternative loans." As with any private loan, students owe it to themselves to do some comparison shopping before borrowing.

For more information about student financial aid and college planning, visit [www.alstudentaid.com](http://www.alstudentaid.com) or [www.alabamamentor.org](http://www.alabamamentor.org); write the Alabama Student Loan Program, 100 North Union Street, Suite 308, Montgomery, AL 36104-3761; or call 334-265-9720, toll free (800) 721-9720.